NOVA SCOTIA FISHERIES AND AQUACULTURE LOAN BOARD

ANNUAL ACCOUNTABILITY REPORT

FISCAL YEAR 2011-2012

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ACCOUNTABILITY STATEMENT

The accountability report of the Nova Scotia Fisheries and Aquaculture Loan Board for the year ending March 31, 2012, is prepared pursuant to the Finance Act and government policies and guidelines. These authorities require the reporting of outcomes against the Nova Scotia Fisheries and Aquaculture Loan Board Business Plan information for the fiscal year 2011-2012. The reporting of the Nova Scotia Fisheries and Aquaculture Loan Board outcomes includes estimates, judgements and opinions by Loan Board management.

The Department of Fisheries and Aquaculture acknowledges that this accountability report is the responsibility of the Nova Scotia Fisheries and Aquaculture Loan Board. The report is, to the best extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in the Nova Scotia Fisheries and Aquaculture Loan Board 2011-2012 Business Plan.

Sterling Belliveau
Minister, Department of Fisheries and Aquaculture

Roy Surette
Chairman of the Board

Bruce E. Cox
Chief Executive Officer

MESSAGE FROM THE CHAIRMAN

It is my pleasure to present the 2011-2012 Annual Accountability Report for the Nova Scotia Fisheries and Aquaculture Loan Board. This report reflects the efforts to achieve the goals and priorities outlined in the Loan Board's 2011-2012 Business Plan.

I would like to express my appreciation to the staff of the Loan Board for their hard work and commitment to providing excellent service to the aquaculture and fisheries industries, in the best interest of the people of Nova Scotia.

Roy Surette
Chairman of the Board

Bruce E. Cox
Chief Executive Officer

OVERVIEW

Since 1936, the Fisheries and Aquaculture Loan Board has served the province and the fishing industry by providing long-term stable development funding.

The Loan Board operates under the authority of the *Fisheries and Coastal Resources Act*. This Act emphasizes the coastal community development priority of the Board's operations and fosters the growth and development of the economy in our coastal communities as it relates to the harvesting and aquaculture sectors of the fishing industry in Nova Scotia.

During the year the Fisheries and Aquaculture Loan Board focused on its mission statement which is as follows:

> *"To serve, develop and optimize the harvesting segment of the Nova Scotia fishing and aquaculture industries, for the betterment of our coastal communities and the province as a whole."*

This report summarizes the activities, accomplishments and outcomes of the previous fiscal year by reflecting on the organization's 2011-2012 Business Plan. The report is organized so that readers may understand the Loan Board's accomplishments in line with our Business Plan.

CORE PRIORITY AREAS PROGRESS AND ACCOMPLISHMENTS

The priorities were identified in the 2011-2012 Statement of Mandate. Progress for achieving these goals is summarized below.

CORE BUSINESS AREA 1:

PRIORITY: Providing long-term, fixed rate loans for the development of the fish harvesting and aquaculture industries.

WORK TOWARDS:

- Achieving sustainable fishery and aquaculture industries,
- Increased landings and sales,
- Development of new fishery enterprises,
- Maintaining and creating jobs in Nova Scotia; and
- Improvement of lending programs for the fishing and aquaculture industries.

Snapshot of The Past Year:

- $35 million in developmental funding was available of which $24.8M (70.8%) was approved. In 2010-2011, $40M in developmental funding was available of which $19.3M (48.25%) was approved.
- 108 loans were approved out of 151 applications (71.5% approval success rate).
- 26 new vessels were built compared to 16 new vessels in 2010-2011.
- 12 upgrades to existing boats were completed compared to 15 upgrades in 2010-2011.
- Consistently review loan process and approval conditions to ensure services needs are met.

SUCCESS MEASURES:

Amount of Loan Advances measure the loan activity of the Loan Board and is the lending programs are meeting the needs of the industry.

Target: The average amount of loan advances for the last 10 years is $20M and the goal is to maintain that average.

Sample Period	Amount of Loan Advances ($ Millions)	% Change from Previous Period
2000-2001 (base year)	18.5	
2005-2006	13.9	33% decrease
2010-2011	19.3	39% increase
2011-2012	24.8	28.5% increase

Increase in the Amount of the Loan Portfolio ensures the lending program is suited to the needs of the fishing industry and the Loan Board is a successful lender. The average annual increase for the last 10 years is 4.87M.

Target: To increase the balance of the loan portfolio per year by lending to viable operations.

Sample Period	Amount of Loan Advances ($ Millions)	Average annual increase from Previous Period
2000-2001 (base year)	53	
March 31, 2006	80.5	5.5 M
March 31, 2011	104	4.7M
March 31, 2012	109.4	5.4M

CORE BUSINESS AREA 2:

PRIORITY: Maintain a vessel inspection program for all new construction, used vessel purchases, modification, and engine/ equipment loans.

WORK TOWARDS:

- Inspection of each new vessel under construction bi-weekly;
- Yearly inspections of each financed vessel; and
- Ensure vessels related to used boat, engine, equipment and upgrading applications are appraised.

Snapshot of The Past Year:

- New vessels were inspected bi-weekly during construction to ensure they are built to Loan Board requirements; 144 inspections were carried out.
- To verify the loan is secure in the value of the boat, 69 inspections for used vessel purchases, engine/ equipment and upgrade loans.
- 572 maintenance inspections were completed to ensure the Loan Board security is maintained.
- 16 new vessel construction plans and specification were reviewed and approved by technical staff.
- Technical advice provided as it relates to construction of new vessels.

SUCCESS MEASURES:

Bi-Weekly Inspection of Vessels Under Construction to ensure rigid safety standards are met.

> ***Target:*** To maintain our standard bi-weekly inspections on all new vessels under construction and make bi-weekly progress payments made to the boat builders.

Yearly Maintenance Inspection of Financed Vessels to ensure seaworthy condition is maintained.

> ***Target:*** To maintain an equity position in each vessel financed by the Loan Board by continuing yearly inspections and completing a survey report on each vessel.

Vessel Inspections for Used or Upgrading Boat or Engine/ Equipment Loans to verify the loan is secure.

> ***Target:*** To inspect and complete an inspection report prior to loan approval guaranteeing the loan will be secure in the value of the boat.

CORE BUSINESS AREA 3:

PRIORITY: Manage a loan collection program on a monthly basis to keep loan arrears to a minimum.

WORK TOWARDS:

- Frequent collection activity; and
- Utilizing all collection tools (letters, phone calls, field visits).

Snapshot of The Past Year:

- 3.3% arrears as of March 31, 2012 (attributed to the recession).

SUCCESS MEASURES:

Reduce the Per Cent of Accounts in Arrears to 3% per less.

> ***Target:*** To continue reaching the goal of the amount in arrears to 3% or less as well as ensuring loan balances are decreasing as per the repayment schedule.

CORE BUSINESS AREA 4:

PRIORITY: Provide financial counseling and assessments for proposed projects.

WORK TOWARDS:

- Successful businesses.

Snapshot of The Past Year:

- Partnered with industry, other lenders and other government departments to improve financial information and develop competitive lending packages for our clients.
- Investigated new loan programs with flexible terms.
- Assessed the profitability of financing vessels engaging in the harvesting of non-traditional species.

SUCCESS MEASURES:

Ensure the Per Cent of Annual Writeoffs remains under 0.25%.

Target: To maintain less than 0.25% of the loan portfolio as annual writeoffs..

FINANCIAL RESULTS

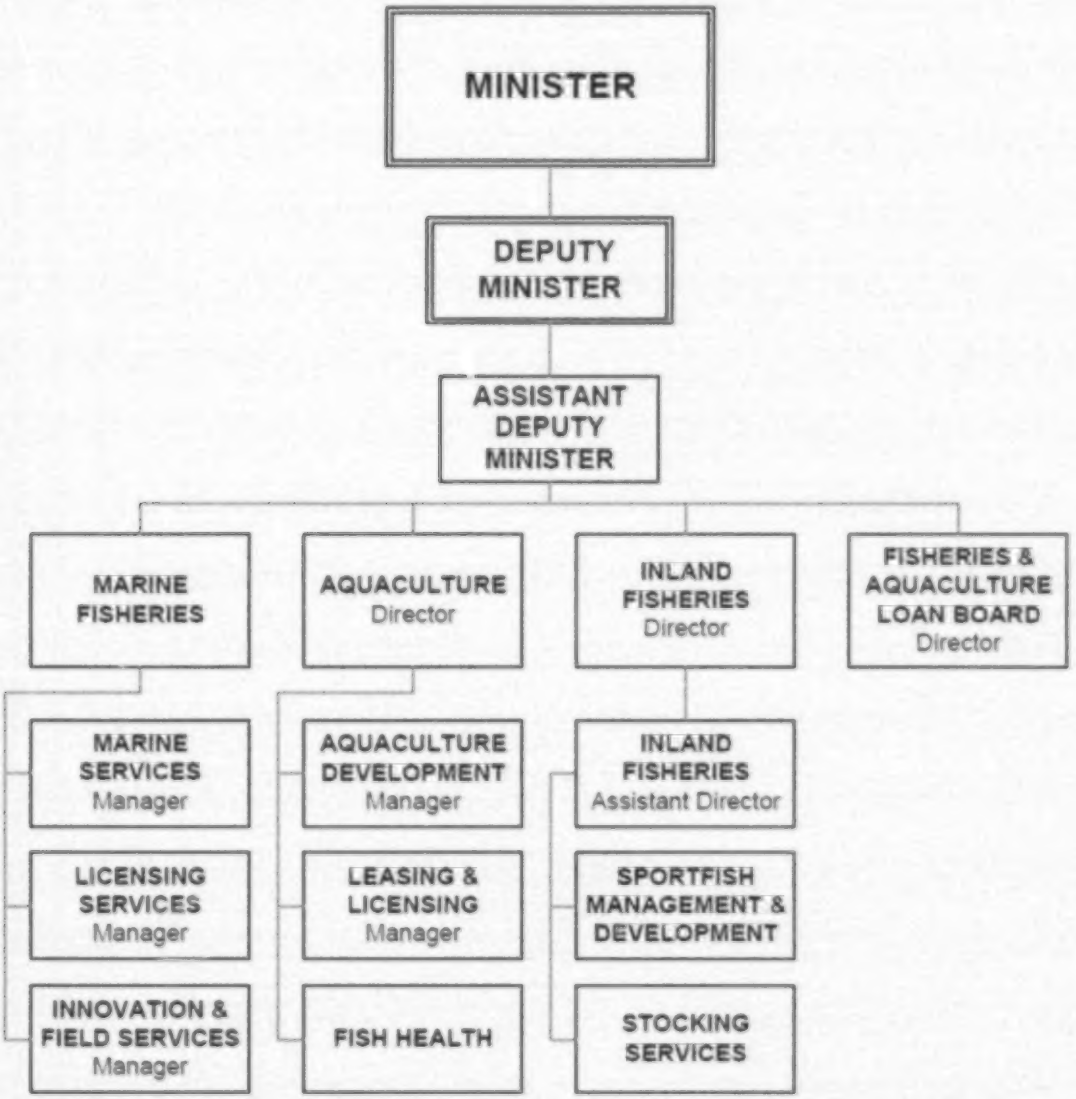
	Budget ($ Millions)	Actual* ($ Millions)
Capital Advances	35.0	21.0
Repayments	16.0	17.7
Net Advances	19.0	(3.3)

*Actual advances do not include commitment unadvanced. In 2011-2012, that amount totaled $3.8 million.

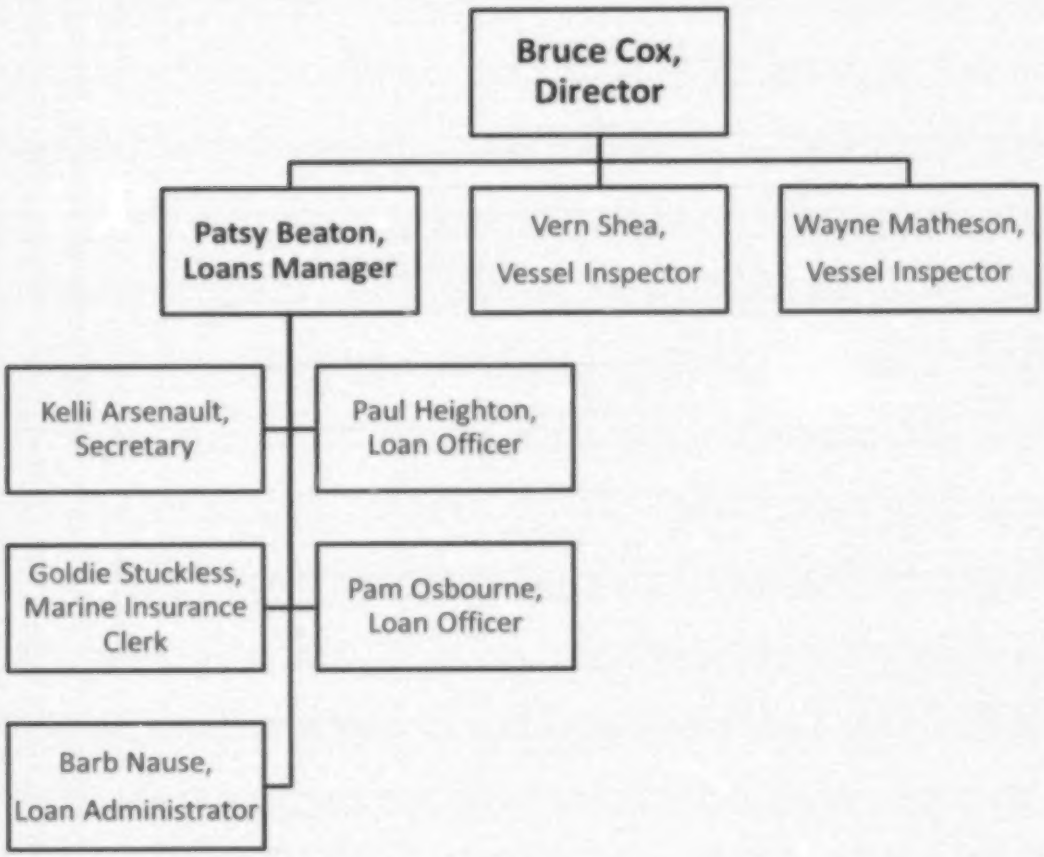
NOVA SCOTIA FISHERIES AND AQUACULTURE LOAN BOARD STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2011 ($ THOUSANDS)

	Budget (2011-2012)	Actual* (2011-2012)
Revenues		
Interest Income	$7,400	$6,894
Loan Fees	130	219
	7,530	7,113
Expenses		
Interest Expense	5,100	3,656
Salaries and Benefits (net of recoveries)	675	570
Board Honoraria	8	6
Travel	53	66
Office Expense	16	22
Professional Services	38	39
Bad Debt Expense (net of recoveries)	50	50
	5,940	4,409
Operating Surplus (before Government contributions)	1,590	2,704
Government Contributions	5,900	4,409
Surplus	7,940	7,113

APPENDIX 1 DEPARTMENT OF FISHERIES AND AQUACULTURE



APPENDIX 2 LOAN BOARD ORGANIZATION CHART



APPENDIX 3 STATISTICAL INFORMATION

	Year Ending March 31, 2011	Year Ending March 31, 2010	Year Ending March 31, 2009	Year Ending March 31, 2012
			S	
Lending Budget	40.0M	45.0M	20.0M	35.0M
Loans Advanced	19.3M	35.9M	7.2M	24.8M
Principal Payments	14.8M	15.8M	13.0M	17.7M
Interest Payments	6.6M	6.2M	6.1M	6.9M
Loans Receivable	104M	95.0M	84.6M	109M
Doubtful Accounts	0.4M	0.2M	0.2M	0.4M
Interest Expense	3.9M	3.9M	4.0M	3.6M
Writeoffs	17,684	Nil	25,286	Nil
Fees Collected	202,000	224,334	49,000	219,000
Net Income	6.8M	6.4M	6.2M	7.1M